

Software Freedom Conservancy, Inc.
Financial Statements
February 29, 2016

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Gary S. Eisenkraft

Certified Public Accountant

271 Madison Avenue, Suite 1105, New York, N.Y. 10016
Telephone (212) 689-2655 Fax (646) 619-4723
gary@eisenkraftcpa.com

Independent Auditor's Report

To the Board of Directors of
Software Freedom Conservancy, Inc.

I have audited the accompanying financial statements of Software Freedom Conservancy, Inc., which comprise the Statement of Financial Position as of February 29, 2016, and the related Statements of Activities, Functional Expenses and Cash Flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Software Freedom Conservancy, Inc., as of February 29, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

I have previously audited Software Freedom Conservancy, Inc.'s, February 28, 2015 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my audit report dated January 13, 2016. In my opinion, the summarized comparative information presented herein, as of, and for the year ended February 28, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

January 12, 2017



Software Freedom Conservancy, Inc.
Statement of Financial Position
February 29, 2016
(With Summarized Financial Information for 2015)

	February 29, <u>2016</u>	February 28, <u>2015</u>
Assets		
Current Assets		
Cash	\$ 1,351,786	\$ 941,817
Security deposit	600	600
Prepaid expenses	4,895	1,554
Contributions receivable	567,606	73,261
Total Current Assets	1,924,887	1,017,232
Total Assets	\$ 1,924,887	\$ 1,017,232
 Liabilities and Net Assets		
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	\$ 50,664	\$ 58,861
Unearned income - advance program registration fees	213,612	62,594
Total Current Liabilities	264,276	121,455
 Net Assets		
Net Assets		
Unrestricted	310,860	(37,732)
Temporarily restricted	1,349,751	933,509
Total Net Assets	1,660,611	895,777
Total Liabilities and Net Assets	\$ 1,924,887	\$ 1,017,232

See independent auditor's report and accompanying notes to the financial statements.

Software Freedom Conservancy, Inc.
Statement of Activities
For the Year Ended February 29, 2016
(With Summarized Financial Information for 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total Year Ended February 29, 2016</u>	<u>Year Ended February 28, 2015</u>
Support and Revenue				
Contributions	\$ 721,616	\$ 1,059,037	\$ 1,780,653	\$ 575,670
Conference registration fees	-	108,110	108,110	95,955
Honoraria	14,650	-	14,650	8,050
Book royalties	315	3,124	3,439	4,573
Trademark licensing income	-	-	-	2,000
Interest and currency conversion gains	153	1,402	1,555	678
Conference sponsorship income	-	17,675	17,675	675
Promotional items sales	-	-	-	475
	<u>736,734</u>	<u>1,189,348</u>	<u>1,926,082</u>	<u>688,076</u>
Net Assets released from restrictions:				
Satisfaction of program restrictions	773,106	(773,106)	-	-
Total Support and Revenue	<u>1,509,840</u>	<u>416,242</u>	<u>1,926,082</u>	<u>688,076</u>
Expenses				
Program services	<u>968,363</u>	<u>-</u>	<u>968,363</u>	<u>508,919</u>
Supporting services:				
General and administrative	140,964	-	140,964	148,123
Fund-raising	51,921	-	51,921	18,458
Total Supporting services	<u>192,885</u>	<u>-</u>	<u>192,885</u>	<u>166,581</u>
Total Expenses	<u>1,161,248</u>	<u>-</u>	<u>1,161,248</u>	<u>675,500</u>
Change in Net Assets	348,592	416,242	764,834	12,576
Beginning Net Assets	(37,732)	933,509	895,777	883,201
Ending Net Assets	<u>\$ 310,860</u>	<u>\$ 1,349,751</u>	<u>\$ 1,660,611</u>	<u>\$ 895,777</u>

See independent auditor's report and accompanying notes to the financial statements.

Software Freedom Conservancy, Inc.
Statement of Functional Expenses
Year Ended February 29, 2016
(With Summarized Financial Information for 2015)

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total Year Ended February 29, 2016</u>	<u>Year Ended February 28, 2015</u>
		<u>General and Administrative</u>	<u>Fund-raising</u>		
Salaries and wages	\$ 172,467	\$ 77,380	\$ 31,188	\$ 281,035	\$ 287,360
Employee benefits	55,264	23,279	10,260	88,803	87,658
Payroll taxes	14,264	6,382	2,556	23,202	23,874
Internships	261,250	-	-	261,250	-
Bank charges and other fees	-	10,545	-	10,545	4,315
Copyright license enforcement	14,363	-	-	14,363	11,042
Technology expenses	4,847	6,582	-	11,429	16,593
Office supplies and other	2,355	1,824	3,704	7,883	1,059
Mentoring student software developers	5,000	-	-	5,000	15,250
Travel, meals and lodging	-	214	2,991	3,205	9,003
Trademark registration & enforcement	2,229	-	-	2,229	3,382
Insurance	-	1,687	-	1,687	1,687
Payroll processing fees	674	292	107	1,073	1,020
Taxes and government assessments	734	17	-	751	234
Occupancy	233	351	-	584	252
Membership	99	350	-	449	475
Grants	200	-	-	200	200
Bad debt expenses	-	-	-	-	373
Professional services:					
Software development and design	45,865	-	-	45,865	39,994
Accounting and audit	-	11,800	-	11,800	10,500
Promotional	1,212	-	999	2,211	1,591
Non-license enforcement legal fees	603	261	96	960	919
Graphic design	-	-	20	20	3,505
	<u>581,659</u>	<u>140,964</u>	<u>51,921</u>	<u>774,544</u>	<u>520,286</u>
Direct conference expenses:					
Travel, meals and lodging	253,757	-	-	253,757	92,042
Venue rental	62,060	-	-	62,060	34,124
Audio / video	37,312	-	-	37,312	19,579
Bank charges and other fees	7,762	-	-	7,762	3,106
Services	10,340	-	-	10,340	2,917
Materials	9,188	-	-	9,188	2,741
Registration service fees	66	-	-	66	625
Badges	1,449	-	-	1,449	80
Honoraria	1,500	-	-	1,500	-
T-shirts	3,270	-	-	3,270	-
Other conference expenses	-	-	-	-	-
	<u>386,704</u>	<u>-</u>	<u>-</u>	<u>386,704</u>	<u>155,214</u>
Total Expenses	\$ 968,363	\$ 140,964	\$ 51,921	\$ 1,161,248	\$ 675,500

See independent auditor's report and accompanying notes to the financial statements.

Software Freedom Conservancy, Inc.
Statement of Cash Flows
For the Year Ended February 29, 2016
(With Summarized Financial Information for 2015)

	Year Ended February 29, <u>2016</u>	Year Ended February 28, <u>2015</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 764,834	\$ 12,576
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
(Increase) decrease in operating assets:		
Prepaid expenses	(3,341)	823
Contributions receivable	(494,345)	(2,101)
Security deposit	-	(600)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(8,197)	(4,925)
Unearned income - advance program registration fees	151,018	(18,755)
Net cash provided by (used in) operating activities	409,969	(12,982)
 Net Increase (Decrease) in Cash	 409,969	 (12,982)
Beginning Cash	941,817	954,799
Ending Cash	\$ 1,351,786	\$ 941,817

See independent auditor's report and accompanying notes to the financial statements.

Software Freedom Conservancy, Inc.
Notes to Financial Statements
February 29, 2016

Note 1 - Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

Software Freedom Conservancy, Inc. (the Organization) is a not - for - profit organization that helps promote, improve, develop, and defend Free, Libre, and Open Source Software (FLOSS) projects. Conservancy provides a nonprofit home and infrastructure for FLOSS projects. This allows FLOSS developers to focus on what they do best — writing and improving FLOSS for the general public.

FLOSS projects whose applications are accepted become part of the Organization (akin to a separate department of a large agency). Once joined, the "member project" receives most of the benefits of existing as a non-profit corporate entity without engaging in the arduous work of forming a separate, new organization. The Organization aggregates the work of running a FLOSS non - profit for its many members.

The Organization provides many important services for its member projects. Member projects can take directed donations, which allows donors to earmark their donations for the benefit of a specific FLOSS project. The Organization provides fiscal oversight to ensure that these funds are spent in a manner that advances the project and fits with the Organization's 501(c)(3) mission to promote, advance, and defend software freedom.

If the member project's leaders want, the Organization can also hold other assets and titles on behalf of the projects, such as copyrights, trademarks, domain names, online hosting accounts, and title and ownership of physical hardware. Also at discretion of the project's leaders, the Organization can assist in defending the rights represented in these assets. For example, the Organization is available to assist member projects in enforcing the terms of the projects' FLOSS license.

Finally, developers of the Organization's member projects, when operating in their capacity as project leaders, could receive some protection from personal liability for their work on the project.

Software Freedom Conservancy, Inc., was incorporated in the State of New York in 2006.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets represent revenues and expenses related to the operations and management of the Organization's primary programs and supporting services. If funds are raised and set aside by the Board for future use, these are considered unrestricted. Temporarily restricted contributions that are expended for their restricted purpose in the same reporting period as received may be recorded as unrestricted.

Software Freedom Conservancy, Inc.
Notes to Financial Statements
February 29, 2016

Note 1 - (Continued)

Financial Statement Presentation (Continued)

Temporarily restricted net assets represent resources available for use, but expendable only for the purpose specifically stated by the donor. As of February 29, 2016, there were \$1,349,751 of temporarily restricted net assets.

Permanently restricted net assets are assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on only related investments for general or specific purpose. As of February 29, 2016, there were no permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program and supporting services benefited.

Cash

Cash consists of demand deposit accounts held at major financial institutions and may at times exceed the insurable amount. Management believes it mitigates its risk by investing in a major financial institution and in funds that are currently U.S. federal government insured. Recoverability of investments is dependent upon the performance of the issuer.

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with original maturities of three months or less when purchased to be cash equivalents.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and / or nature of any donor restrictions. The Organization has not received any contributions with donor-imposed restrictions that would result in permanently restricted net assets.

Income is recognized on an accrual basis when earned.

Contributions Receivable

Contributions receivable are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through adjustments to valuation allowances based on its assessment of the current status of individual receivables. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance. For the year ended February 29, 2016, the allowance for doubtful accounts was \$0.

All contributions receivable are expected to be collected within the current operating cycle of one year.

See independent auditor's report.

Software Freedom Conservancy, Inc.
Notes to Financial Statements
February 29, 2016

Note 1 - (Continued)

Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentations.

Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been provided for in the accompanying financial statements.

Concentrations

The Organization maintains cash balances in two financial institutions. Balances in one of those institutions at times exceed federally insured limits. The Organization has not experienced any losses related to these accounts and believes it is not exposed to any significant credit risk.

Donated Services

Donated services are recognized as contributions if the services (1) create or enhance nonfinancial assets or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers provide various services that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Subsequent Events

In preparing these financial statements, the Organization, has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements January 12, 2017, the date the financial statements were available to be issued.

Note 2 - Unearned Income

Unearned income represents income for the year ending February 28, 2017, that was received during the year ended February 29, 2016.

Software Freedom Conservancy, Inc.
Notes to Financial Statements
February 29, 2016

Note 3 - Temporarily Restricted Net Assets

Temporarily restricted net assets by revenue source and changes therein for the year ended February 29, 2016, were as follows:

	Balance as of February 28, 2015	Additions	Releases From Restrictions	Balance as of February 29, 2016
Restricted as to purpose for the following projects:				
ArgoUML	\$ 12,670	\$ 29	\$ (2)	\$ 12,697
Boost	142,199	68,288	(66,744)	143,743
Bro	-	200,250	(262)	199,988
Buildbot	3,014	17,112	(226)	19,900
BusyBox	116,775	93	(50,408)	66,460
Coreboot	1,800	-	-	1,800
Darcs	1,786	318	(462)	1,642
Diversity Grant	-	15,000	-	15,000
Evergreen	29,490	67,108	(53,523)	43,075
Foresight	393	-	-	393
Gevent	4,987	1,960	(66)	6,881
Git	16,257	3,286	(803)	18,740
Godot	-	5,244	(147)	5,097
Inkscape	34,905	12,830	(10,970)	36,765
K3D	2,858	-	-	2,858
Kallithea	60	32	(1)	91
Kohana	2,788	15	(61)	2,742
Libbraille	459	-	-	459
Linux Compliance	49,979	-	(14,462)	35,517
Linux XIA	-	1,500	-	1,500
LuxRender	374	2,914	(137)	3,151
Mercurial	9,855	7,167	(177)	16,845
Metalink	911	18	(1)	928
OpenChange	2,540	5	-	2,545
Outreachy	-	523,310	(268,170)	255,140
PyGMO	-	1,019	(19)	1,000
PyPy	51,215	14,480	(16,162)	49,533
QEMU	-	4,825	(29)	4,796
SWIG	2,924	961	(23)	3,862
Samba	160,508	2,873	(29,157)	134,224
Selenium	145,622	154,446	(207,899)	92,169
Squeak	249	19	(1)	267
Sugar	79,732	14,457	(9,534)	84,655
Twisted	17,520	4,022	(9,126)	12,416
Wine	18,028	4,394	(10,863)	11,559
Xapian	3,000	-	-	3,000
phpMyAdmin	20,611	61,373	(23,671)	58,313
	\$ 933,509	\$ 1,189,348	\$ (773,106)	\$ 1,349,751

See independent auditor's report.